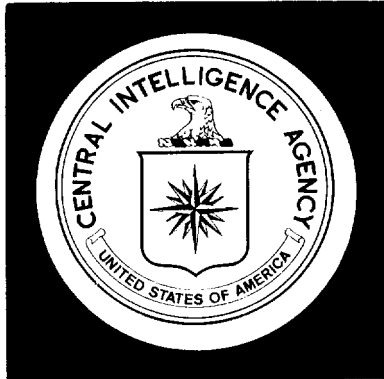


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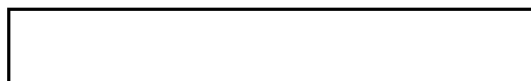


INDIA: Congress Party victory in Uttar Pradesh gives government morale boost. (Page 15)



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*ISRAEL: Prime Minister Meir phoned President Katzir late yesterday evening and told him that she was giving up her efforts to form a new government. She is to meet with Katzir this morning to inform him officially of her decision.

The President can ask Mrs. Meir to continue her efforts, or he can attempt to find another party leader to try to form a cabinet. He would be hard pressed to find anyone, however. The smaller parties are not in the running, and none of the other Alignment leaders--such as Deputy Prime Minister Alon, Finance Minister Sapir, or Defense Minister Dayan--appears willing or able at this point to get the fractious party to pull together behind them. Menahem Begin, leader of the rightist Likud, the second strongest bloc with 39 of the 120 Knesset seats, might be asked, but his only hope of success would lie in the unlikely event that all three religious parties joined in a Likud-led coalition and substantial Alignment defections to his side occurred.

Mrs. Meir announced her decision during an Alignment caucus session held yesterday to discuss her minority cabinet. Apparently upset over the wrangling within the Alignment concerning her cabinet nominations, including that of Yitzak Rabin, former ambassador to the US, to replace Dayan as defense minister, Mrs. Meir walked out of the meeting. She claimed that she was encountering too much party fractionalism and bitterness to allow her to proceed.

Startled into action, the caucus voted, without opposition, to approve Mrs. Meir's proposed minority government and to send a delegation consisting of all party faction leaders to her home in an effort to convince her to reconsider. She remained unyielding, but several delegation members expressed hope that she would nonetheless agree to form the new government.

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Her decision may have been a last-ditch attempt to force the party to close ranks behind her and possibly to convince Dayan to remain in the cabinet. The decision may also reflect her unwillingness to head a government of national unity with the right-wing Likud--an alternative suggested by Dayan and the National Religious Party. She believes such a government would be paralyzed, incapable of governing the country or of reaching any kind of consensus that would allow it to conduct meaningful peace negotiations with the Arabs.

Some Israeli politicians now conclude that either a national unity government or a new election is likely. If President Katzir cannot find a party leader to take on the task of forming a cabinet, the Knesset will probably have to dissolve and set a date for new elections, perhaps within three months. In the meantime, Mrs. Meir would continue to head the present caretaker government. In all probability it would continue to conduct the disengagement negotiations with the Syrians, although it would probably be unable to conclude any agreements beyond those affecting the immediate issue of disengagement.

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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*ITALY: The collapse of Prime Minister Rumor's four-party, center-left coalition will open a difficult period of negotiation to form a new government.

Rumor will stay on in a caretaker status during this period. Interparty talks are likely to aim at setting up another center-left grouping among the same parties--Christian Democrats, Socialists, Social Democrats, and Republicans.

In trying to reconstruct the coalition, however, politicians will face the nettlesome task of reconciling the opposing views of the Socialists and Republicans over economic priorities. In a disagreement that has immobilized successive governments, the Socialists have demanded immediate action on costly economic and social programs, while the Republicans have insisted on budgetary austerity.

The two parties papered over these differences to form Rumor's government last summer, but the issue came to a head last week when the Socialists accused Republican Treasury Minister Ugo La Malfa of trying to force his policies on the country indirectly through the terms of a loan he had negotiated with the International Monetary Fund.

If the parties cannot iron out their differences, the Christian Democrats may have to set up a one-party caretaker government. This is an established way of letting the dust settle after political crises, but there is not much enthusiasm for the idea now. The country faces a divisive national referendum on the legalized divorce bill--the outgoing Rumor government set May 12 as the date--and the other parties, all of whom favor the existing law, do not want the Christian Democrats, who oppose divorce, in the driver's seat during the campaign.

The Communist Party was caught off guard by Rumor's collapse. The Communists considered his coalition an improvement over its predecessor--a

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centrist government headed by a right-wing Christian Democrat. While Rumor was in office, the Communists supported his efforts to deal with economic problems and adopted a constructive stance in parliament. At the same time, they accelerated their campaign for an open role in the government by pointing out that the ruling parties were already accepting indirect Communist support.

Although Rumor's premature departure provides an opportunity for the Communists to press for a role in the government, it will be difficult for them to do so effectively with the divorce referendum pending. The Communists are at odds with the dominant Christian Democrats on the divorce issue and would have preferred to avoid a government crisis until at least after the referendum.

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*ARGENTINA: The situation in Cordoba remains confused and tense in the wake of the ouster by police of the left-wing Peronist provincial government there last week. Since then, sporadic violence, including shootouts between leftist extremists and police, reportedly has caused several deaths and scores of injuries. Work stoppages have virtually paralyzed the province and food supplies are becoming scarce.

President Peron has asked for congressional approval to reorganize the provincial government, but congress has lacked a quorum and thus far Peron has refrained from intervening directly without legal authorization. Although he has placed the military on alert, he told army chiefs that only police forces are to be used in Cordoba Province, even if widespread violence occurs. The army agrees with this strategy and would prefer to remain on the sidelines [REDACTED]

[REDACTED] Should the violence worsen, however, the army may feel compelled to enter the dispute and has been formulating contingency plans for this purpose.

The provisional governor who was appointed by a federal court is now being challenged by the supporters of the ousted governor, who was released from custody on March 1 and still claims to be the legal head of the government. There are conflicting reports about the new governor's willingness to exercise power, and he has also indicated that he may step down if he does not receive Peron's explicit backing.

Violence has not yet gotten completely out of hand, but the US Embassy comments that chances of wider clashes are growing as the situation continues without a definite solution. Meanwhile, Peron is under growing pressure to take more decisive action.

[REDACTED]

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*ETHIOPIA: The cabinet appointments announced yesterday by Prime Minister Endalkatchew seem likely to win the support of dissident troops.

Two of the younger and more progressive members of the Ethiopian aristocracy, whose appointments were demanded by the military, received important posts. Mikael Imru, currently serving as Ethiopia's representative to the UN European office, was named minister of commerce and industry. Zawde Gebre Selassie, who was serving as UN ambassador, was appointed interior minister. Both in the past have advocated reforms similar to those put forward by the dissident troops and as a result have had strained relations with Haile Selassie.

Some dissident leaders wanted Mikael or Zawde to become prime minister. Endalkatchew, however, paved the way for the acceptance of the new cabinet by conferring with dissident leaders on the selection of the new ministers.

The other ministers are mostly new faces and are not closely identified with the discredited former government. Lieutenant General Assefa Ayene, the former armed forces chief of staff, was named minister of civil aviation and tourism. He and Lieutenant General Abiye Abebe, named last week as the new defense minister, are the only two military men in the cabinet. The ministries of finance and foreign affairs have not been filled.

The appointment of the new ministers should help speed the re-establishment of civilian authority. Dissident troops had already begun returning to their duty stations, and most governmental functions were restored to civilian officials over the weekend.

Students, teachers, and workers remain less inclined than the military to accept Endalkatchew. Many of their demands reportedly were included in a

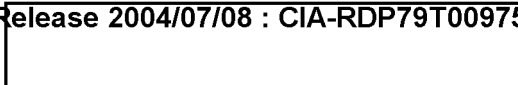
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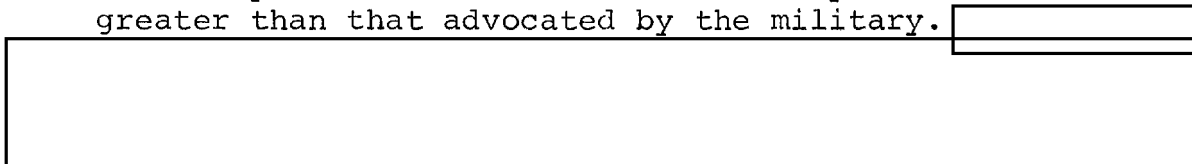
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list of reforms submitted to Haile Selassie by dissident military leaders. The Emperor agreed to implement the educational, economic, and land reforms, and the new cabinet is expected to give its approval. This should help reduce the remaining opposition to Endalkatchew, but some disgruntled civilians may decide to press for a liberalization of politics greater than that advocated by the military.



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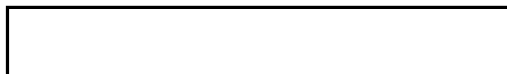
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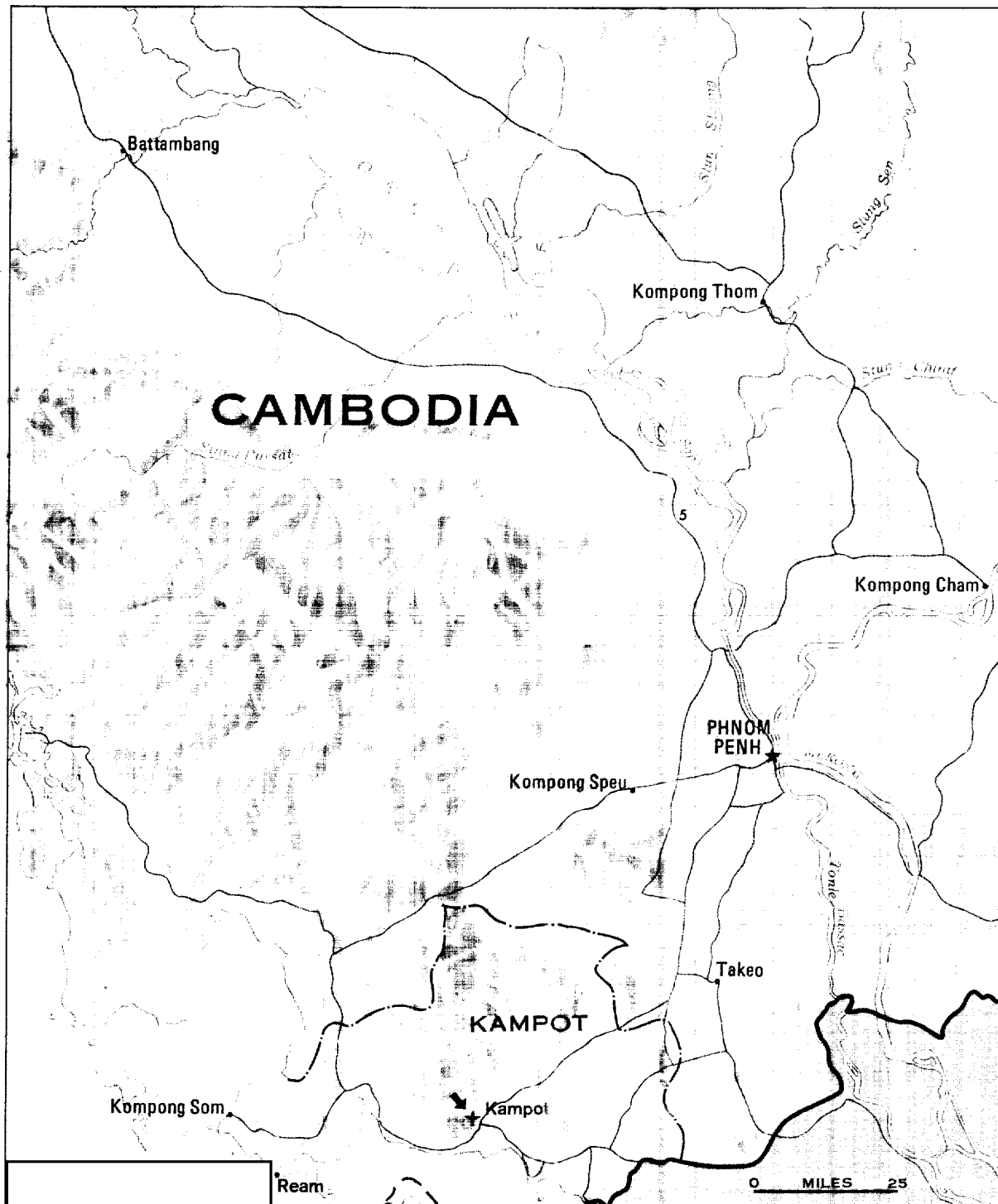
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Communist Attacks



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CAMBODIA: The military situation appears to be stabilizing at the southwestern provincial capital of Kampot, which came under heavy Khmer Communist pressure over the weekend.

Insurgent attacks against the isolated coastal city subsided yesterday in the face of government air strikes and fire from Cambodian Navy patrol boats. Reinforcements from Phnom Penh and from the navy base at Ream are being airlifted to Kampot to bolster its defenses. Cambodian Army chief Fernandez visited the city on March 3 to assess the situation. He is likely to replace the local commander, whose inept leadership was largely responsible for his troops' initial poor showing.

The attacks were the Communists' most serious thrust to date against Kampot. The insurgents struck government positions around Kampot's entire defensive perimeter. On March 2, the Communists captured the city's water plant, five miles northeast of Kampot, which they apparently still hold. Before their advance was halted, the Communists managed to push to within two miles of the city proper and its airport.

Military activity in the Phnom Penh region remains relatively light. Government clearing operations south of the city have made no significant progress in the past few days. Other government sweep operations northwest of the capital continue to encounter little resistance. [REDACTED]

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KOREA-UN: Pyongyang may have started its 1974 campaign to secure UN General Assembly endorsement for termination of the UN Command mechanism and withdrawal of US forces from South Korea. At a press conference at the UN last week, a North Korean spokesman reserved Pyongyang's right to raise the UN Command and the US forces issues at any discussion of the Korean problem next fall in the General Assembly.

The North Korean official did not elaborate on Pyongyang's diplomatic strategy for winning assembly votes on these highly sensitive matters. North Korea, however, has probably begun planning its approach, if only because Algerian President Boumedienne arrived in Pyongyang on March 2. Algeria has been the most active proponent of North Korean positions at the UN in recent years, and UN strategy will almost certainly be high on Boumedienne's Pyongyang agenda.

North Korea's position at the UN has benefited over the past year from a global trend toward acceptance of both regimes in divided states. The North has recently won recognition from a number of Western and pro-Western governments, and it is improving contacts with Commonwealth states such as Australia. Pyongyang may well feel the time is ripe to press for an assembly vote on its proposals, rather than to settle, as it did last year, for a compromise arranged through private negotiations.

The South Korean Government is acutely aware of the problem it will face later this year in New York and is casting about for another formula for compromise. Seoul seems to be counting on Soviet and Chinese support for less drastic solutions of the UN Command issue than those likely to be advocated by North Korea and Algeria.

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INDIA: The Ruling Congress Party's victory in the state election in Uttar Pradesh last week was extremely narrow, but it gives Mrs. Gandhi's government a significant morale boost as it faces worsening economic problems in the two years before national elections are due.

The off-year elections in Uttar Pradesh, the most important contest, and four other states gave the voters their first chance to pass judgment on the government since Mrs. Gandhi's sweep of state elections two years ago. With opinion polls showing a sharp decline in her popularity, Mrs. Gandhi campaigned vigorously in Uttar Pradesh, her home state. The outcome is likely to encourage her to continue the generally socialistic direction her government has been following. The party victory in Uttar Pradesh, however, was more significant as an indication that the electorate still sees no alternative to Mrs. Gandhi's party than as an endorsement of the government's policies.

In Orissa State on the east coast, the Ruling Congress obtained a plurality and will be able to form a coalition government with support from the pro-Moscow Communists. The results in the other three contests were less favorable to Mrs. Gandhi but will have little impact on the government in New Delhi.

Opposition parties, which have been leading the attack on the Gandhi administration for its inability to supply adequate food at controlled prices and its failure to curb inflation and unemployment, tried to use the election as a stepping stone toward regaining the power and status they enjoyed between 1969-71 before the Ruling Congress won its overwhelming majority in parliament. Their harassment of the government will continue, but Mrs. Gandhi should be able to defend her administration with somewhat more confidence than before the elections. The government already is being unusually candid in acknowledging the depressed state of the economy. On February 28, Finance Minister Chavan told parliament the economy faces even greater strains this year than last.

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